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VAT	PIT	CIT
50%	30%	20%

About **30% of TAK's revenues** are generated from Personal Income Tax

### Who is required to pay the Personal Income Tax?

Taxpayers are resident and non-resident natural persons, personal business enterprises, partnerships and associations, which receive or generate gross income during the tax period.

### What is the subject of Personal Income Tax?

The object of taxation for resident taxpayer is the taxable income from Kosovo and outside Kosovo source, and for non-resident taxpayer is the taxable income only with Kosovo source.

### What is considered a taxable income?

The taxable income for a tax period is considered the difference between gross income received or accrued during the tax period and the deductions allowable with respect to such income.



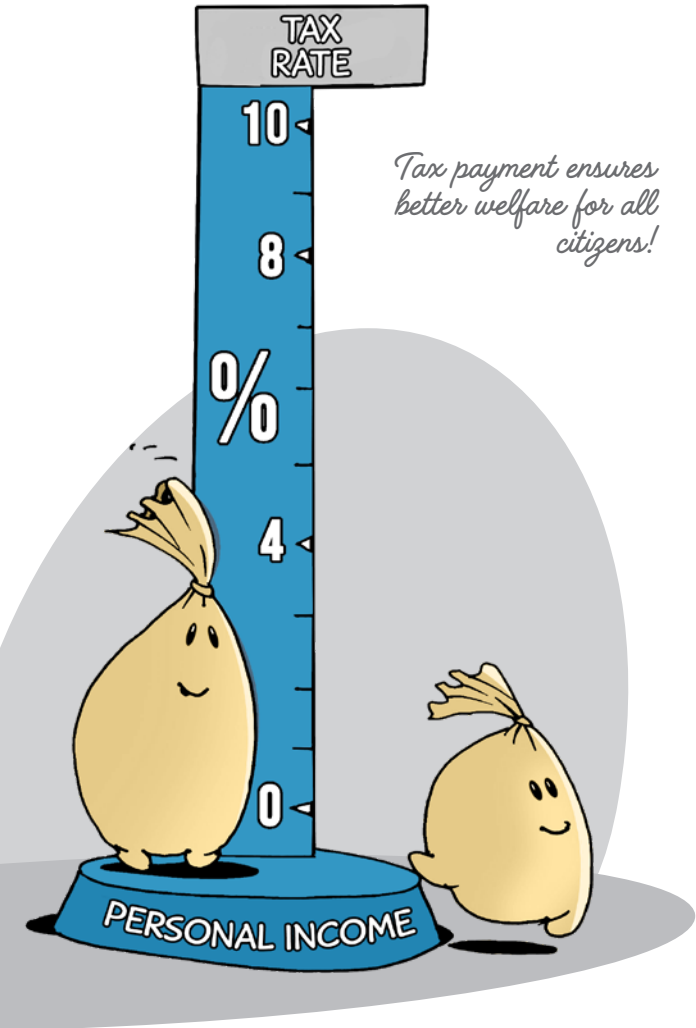
### What does gross income include?

Gross income means all incomes actually or constructively received from the following sources: incomes from business, wages, rents, use of intangible property, interest, capital gains resulting from the sale of capital assets, replacement income, pensions paid in compliance with the relevant applicable pension legislation, winnings in lottery and games of chances, and any other taxable income set out in the applicable tax legislation.



## Leaflet

# Personal Income Tax



Leaflet on Personal Income Tax is aimed at educating and informing taxpayers of their rights and obligations with regards to the Personal Income Tax (PIT).



Administrata Tatimore e Kosovës  
Poreska Administracija Kosova  
Tax Administration of Kosovo



Implemented by

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### What incomes are exempted?

The following incomes are exempted from the Personal Income Tax:

- Wages of foreign diplomatic and consular representatives and foreign staff of embassies or liaison offices of foreign countries in Kosovo;
- Wages of foreign representatives, officers and employees of international governmental organizations and international non-governmental organizations registered in compliance with the applicable legislation in Kosovo;
- Wages of foreign representatives and officers, as well as foreign employees of donor agencies, their contractors or foundations providing humanitarian aid in Kosovo;
- Wages of foreign representatives and officers and local officers employed with United Nations and its specialized agencies and International Atomic Energy Agency.
- Wages of foreign staff of KFOR and EULEX;
- Compensations for property damage or destruction;
- Incomes from life insurance policy paid after the death of the insured;
- Wages of persons with special needs, as provided for in laws relevant for these categories;
- Incomes as a reward from state institutions for achievements in science, sport and culture;
- Incomes benefited from grants, subsidies and donations, in compliance with the rules and conditions for earning them, etc.

### What do incomes from wages include?

Gross incomes from wages include: wages paid by the employer to the employee, bonuses, provisions, per diems and other forms of compensation for the employee, incomes from temporary work, health and life insurance premiums, forgiveness of an employee's debt or obligation to the employer, payment of an employee's personal expenses by the employer, etc.

### What are the incomes from business activities?

Gross incomes from business activities are gross receipts generated by a business natural person engaged in economic activities. Incomes from business activities include incomes from rent, incomes from intangible property, incomes from interest, etc.

### What are the tax rates for calculating the Personal Income Tax?

Tax rate	Monthly incomes	Annual incomes
<b>0%</b>	0€ to 80€	0€ to 960€
<b>4%</b>	80€ to 250€	960€ to 3000€
<b>8%</b>	250€ to 450€	3000€ to 5400€
<b>10%</b>	450€ and over	5,400€ and over

### What are tax obligations for an individual small business?

Business natural person (individual small business), for annual gross incomes from the business activity, is obliged to declare and pay the tax, as follows:

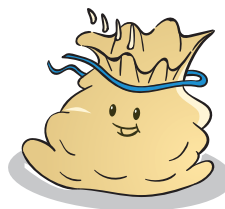
- Three per cent (3%) of gross incomes from trade, transport, agriculture and similar economic activities for every quarter, but not less than thirty-seven point five Euro (37.5 €) for a quarter;
- Nine per cent (9%) of gross incomes from services, professional activities, crafts, entertainment and similar for every quarter, but not less than thirty-seven point five Euro (37.5 €) for a quarter.

With regards to the annual gross incomes from the business activity, the business natural person who has no incomes in a quarter shall not be required to pay, but has to submit the statement of the quarterly instalment for the period when he/she has no tax liability.

### What do allowable business expenses include?

Businesses taxed based on real income are entitled to a deduction from gross income, expenses paid or incurred during the tax period, which are fully, exclusively and directly related to the economic activity, such as:

- Costs of representation, advertising and economic promotion;
- Bad debt costs;
- Business travel costs;
- Depreciation expenses;
- Special deductions for new assets;
- Repairs and improvements;
- Amortization;
- Exploration and Development Costs;
- Tax losses;
- Rent expenses;
- Allowable deductions for the activities of public interest;
- Education and training expenses, etc.



### What are unallowable business expenses?

Unallowable business expenses are:

- Costs of acquisition and improvement of land;
- Fines, penalties and interest that is imposed by any public authority and expenses related thereto;
- Income tax paid or accrued, does not include taxes withheld at source by employees;
- Value Added Tax (VAT) for which the taxpayer claims a rebate or crediting for deductible tax;
- Personal, living, or family expenses;
- Tax losses from transactions between the related persons, except the cases when it is in compliance with the open market value;
- Amusement and recreation expenses;
- Expenses for presents, other than those with the name and logo of the business;
- Expenditure covered from grants, subsidies and donations, in compliance with earning criteria and rules;
- Other expenses defined by the tax legislation in force; and
- Undocumented expenses.

### What are the requirements for books and records?

Taxpayer taxed based on real income should keep books and records according to the Accounting Standards. Taxpayer not taxed based on real income should keep books and records, as follows:

- Purchase book, where all purchases and returns are recorded;
- Sales book, where all sales and returns are recorded;
- Cash book, where all cash flows in cash register are recorded;
- Bank reports, including deposits and withdrawals records;
- Copies of supporting documents for records in the relevant book;
- Registration of goods;
- Book of employees, where all employees are recorded.

### Who and when is it required to withhold tax at source?

All taxpayers (business natural persons) are obliged to withhold tax when making payments for: wages and pensions, interest, property rights, rents, special categories and certain payments for non-residents, as set out in the applicable tax legislation.

Withheld tax/contribution should be paid within fifteen (15) days after the last day of each calendar month.

Taxpayers, who withhold tax, upon the request of the income recipient, by 1 March of the following year of tax period, are obliged to provide the income recipient with the Withholding Tax Certificate.

### When tax on business activities should be paid?

Each taxpayer who realizes or accrues income from business activities shall pay tax every three months in an account designated by the Tax Administration of Kosovo to a financial institution licensed by the CBK, no later than fifteen (15) days after the end of each calendar quarter (15 April, 15 July, 15 October, 15 January).

The taxpayer who is taxed on a real income basis, in addition to the quarterly instalment advance payments, must submit the annual personal income tax return at the latest by March 31 of the following year.

### Which taxpayers should submit the annual PIT return?

Taxpayers taxed based on real income, and other taxpayers defined by the law, are required to submit the annual return at the latest by 31 March of the coming year.

### How can the Elimination of Double Taxation be done?

Taxpayers resident in Kosovo, generating incomes from outside Kosovo and paying income tax in other states, shall be entitled to deduction of tax paid in the other country, which cannot exceed the tax amount due according to the domestic legislation.

For persons who are residents of countries with which Kosovo has signed Agreements for Elimination of Double Taxation (AEDT) and Prevention of Fiscal Evasion, and provided that these agreements are in force and applicable, AEDT has priority over the provisions of the domestic legislation.